

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE ELAM UTILITY)
COMPANY FOR PURCHASED GAS ADJUSTMENT) CASE NO. 7601-E
OF RATES)

O R D E R

On August 22, 1980, the Commission issued its Final Order in Case No. 7601 approving certain adjustments in rates and providing, under certain conditions, for the further adjustments of such rates when the wholesale cost of gas is increased or decreased.

On July 31, 1981, Columbia Gas Transmission Corporation ("Transmission") filed with the Federal Energy Regulatory Commission ("FERC") a general rate increase proposed to become effective September 1, 1981. The Commission has no jurisdiction in that case.

On August 10, 1981, Elam Utility Company, ("Applicant") notified the Commission that its wholesale cost of gas would be increased by its supplier, Transmission, effective September 1, 1981, and submitted with its notice certain information in compliance with this Commission's Order of August 22, 1980.

The notice set out certain revisions in rates which the Applicant proposed to place in effect, said rates being designed to pass on the wholesale purchase price from its supplier in the amount of \$41,733.

On November 9, 1978, the President of the United States signed into law the Natural Gas Policy Act of 1978, which established significantly higher rates for producers of certain categories of natural gas. This federal legislation has resulted in higher gas costs to interstate pipeline companies serving the various gas consuming states, including Kentucky. Once the FERC approves the right of these interstate transmission companies to pass this increased cost on to its distribution company customers, state commissions must, in turn, pass on the matter of intrastate distributors recovering their increased cost of gas by adjusting their basic rates to their customers.

After reviewing this evidence of record and being advised, the Commission is of the opinion and finds that:

1. The Commission has long stated (in writing to FERC) its opposition to the procedures and regulations used by the Federal Energy Regulatory agency in approving these supplier increases. We continue to be opposed and are continuing to seek alternative ways to overcome the regulatory inequities which have such a direct impact on the retail consumers.

2. The Federal Energy Regulatory Commission approval of a wholesale rate increase to a Kentucky gas retailer requires approval by the Commission of rates that will permit the Kentucky utility to adjust its customer charges to reflect the added purchase cost, or alternately the utility must absorb the added cost. We are of the opinion that failure to allow this increase

to be passed through to its retail consumers on a timely basis would be unjust to the Company and would ultimately result in higher rates to their consumers in any event.

3. When the FERC "accepts" Transmission's filing, Transmission will begin charging the Applicant the new rates. This Order cannot be implemented until and unless this occurs.

4. The Commission should allow the Applicant to place into effect, subject to refund, the rates set out in Appendix A as soon as Transmission's filing is "accepted" by FERC.

IT IS THEREFORE ORDERED that said Purchased Gas Adjustment sought by the Applicant and adjusted as aforesaid mentioned be and the same is hereby approved, as set out in Appendix A attached hereto and made a part hereof, to be effective, subject to refund, with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

IT IS FURTHER ORDERED that Elam Utility Company shall maintain its records in such manner as will enable it or the Commission or any of its customers to determine the amount to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that for the purpose of the future application of the Purchased Gas Adjustment Clause of the Applicant the base rate for purchased gas shall be:

Commodity

Columbia Gas Transmission Corporation

Schedule SGS

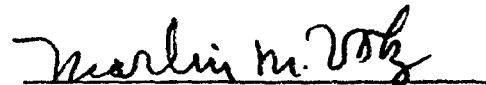
\$3.6217 MCF

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant on August 10, 1981, constitutes full compliance with the Commission's Order in Case No. 7601 and any other information ordinarily required to be filed under the Commission's Regulations is hereby waived.

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Applicant shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 2nd day of September, 1981.

PUBLIC SERVICE COMMISSION

A handwritten signature in dark ink, appearing to read "Martin M. Vohz", is written over a horizontal line.

For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 7601-E DATED
SEPTEMBER 2, 1981

The following rates are prescribed for the customers in the area served by Elam Utility Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATES: Monthly

Customer Charge	\$3.00
First 11 Mcf	\$5.37
Over 11 Mcf	6.37

Purchased Gas Adjustment Clause

<u>Supplier</u>	<u>Rate</u>
Columbia Gas Transmission Corporation	\$3.6217 per Mcf